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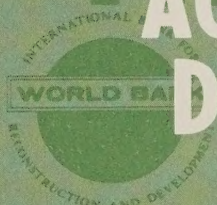
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MULTILATERAL ASSISTANCE FOR AGRICULTURAL DEVELOPMENT



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ABSTRACT

This publication surveys major multilateral agencies concerned with agricultural development in low income countries. The survey covers objectives of the multilateral agencies, the types of programs they conduct, and their operational procedures. Included in the discussions are: the Food and Agriculture Organization of the United Nations, the International Bank for Reconstruction and Development, the FAO/IBRD Cooperative Program, the Inter-American Development Bank, the Asian Development Bank, the United Nations Development Program, and the Organization of American States. The work of the Agency for International Development and other bilateral programs are not covered.

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--Martin Kriesberg
Foreign Economic Development
Service

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INTRODUCTION

This is a survey of assistance provided by international organizations to improve the agriculture of less developed countries (LDCs). Such a review is timely. Seven major reports and commissions on development assistance in the past two years have called for a significant increase in multilateral development assistance. 1/* In his foreign policy statement for the 1970s, President Nixon told the Congress that "multilateral institutions must play an increasing role in the provision of aid." 2/

At the same time, assistance to the agricultural sector has highest priority among donor agencies. And agriculture is the one sector in which multilateral assistance is actually greater than bilateral. 3/ The World Bank President recently declared, "In the developing world, agriculture is the indispensable foundation of a healthy economy." 4/ The "green revolution" has given new optimism about prospects in developing countries and provided new opportunities for investments in agriculture. But growth in food production, while allaying some anxieties, has given rise to many problems which are receiving wide international attention. Perhaps most important among these is the need to develop the capability in developing countries to formulate policies and administer programs associated with a more sophisticated agricultural technology and the "second generation" problems it causes.

To meet this need, international organizations are increasing their technical assistance and training efforts, as well as their loans for agriculture. In this regard, there has been a general shift in attention to the more impoverished of developing nations, especially in Africa and parts of Latin America, where the upgrading of human resources is particularly critical.

Multilateral Assistance in Agriculture

Many international organizations are involved in providing assistance for the development of agriculture in low income countries. Most of the organizations are autonomous agencies associated with the United Nations system. These include the Food and Agriculture Organization (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Labor Organization (ILO), World Health Organization (WHO), and the United Nations Children's Fund, which is particularly active in increasing the availability of milk. The U.N. itself participates in development activities, especially through its Economic Commissions for Asia and the Far East (ECAFE), Africa (ECA), Europe (ECE), and Latin

*Footnotes are included on Page 41.

America (ECLA). The International Atomic Energy Agency, often considered a member of the U.N. "family," works in cooperation with the U.N. and specialized agencies. The U.N. Development Program (UNDP) provides some coordination and funding for U.N. development activities.

For the most part, those groups not directly affiliated with the United Nations are: the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD, also "World Bank"), the International Development Association (IDA), the International Finance Corporation (IFC), and the African Development Bank. In Latin America, the Organization of American States (OAS) aids the development of agriculture in member states by technical assistance and training activities and by operating the Inter-American Institute for Agricultural Sciences (IICA).

Trends in Multilateral Assistance

Over the past ten years multinational aid on the part of the major donor countries has formed a "V" curve. Using official investment flows, the trend has been from about 12 percent in 1960 and 1961, down to 6 percent and less in the years 1963-66, and back up to about 10 percent in 1967-68. In 1969, multilateral contributions made up 13.8 percent of the total official assistance from the largest donor countries.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AS A PERCENTAGE OF TOTAL AID OF DAC* COUNTRIES

<u>Year</u>	<u>Percentage</u>	<u>Year</u>	<u>Percentage</u>
1960	12.1	1965	5.8
1961	12.2	1966	5.2
1962	8.7	1967	10.1
1963	6.1	1968	9.5
1964	6.5	1969	13.8

*Development Assistance Committee: Members countries include Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom, and the United States.

Source: Development Assistance, 1970 Review, OECD, Paris, page 30.

The United States is channeling a larger proportion of its foreign aid through multilateral organizations as its total aid expenditures decline. Most other developed countries, after a decline in support for multilateral aid during the middle 1960's, have significantly increased contributions. The United States disbursements to international organizations increased from \$252 million in 1968 to \$330 million in 1969.

The increase by the United States is occasioned, in part, by the funding to replenish the International Development Association for another period and the contribution to the Special Funds of the Asian Development Bank. 5/ IDA requested \$800 million annually for three years, of which the United States has pledged about 40 percent; the ADB commitment would mean \$100 million over a three-year period.

PERCENT OF TOTAL OFFICIAL DEVELOPMENT ASSISTANCE
DIRECTED TO MULTILATERAL AGENCIES, 1966-68

Norway	59.4	Belgium	14.7
Sweden	52.8	Germany	13.5
Denmark	48.6	Japan	13.1
Netherlands	30.6	United Kingdom	10.6
Switzerland	29.4	Australia	8.7
Italy	24.7	United States	6.4
Austria	23.0	France	4.5
Canada	19.6		

Source: Partners in Development, Report of the World Bank Commission on International Development, Praeger Publishers, New York, September 1969, page 391.

Within the multilateral agencies, emphasis is being placed on agriculture. The UNDP has channeled increased funds to agriculture in each year since its establishment. OECD reports that, for 1967 and 1968, the annual percentage of total aid by multilateral agencies devoted to capital assistance projects in agriculture was 16.8 percent compared with a 2.4 percent bilateral performance. 6/ In practice, this means that, in any given year, multilateral agencies are responsible for one-half to three-quarters of all assistance in agriculture.

The last decade has also brought changes in emphasis within various programs of assistance. During 1962-66, while total aid increased by 20 percent worldwide, the expenditure for technical assistance efforts increased by almost 90 percent. 7/ Within multilateral agencies, the change was even more significant, with technical assistance efforts more than doubling.

FOOD AND AGRICULTURE ORGANIZATION

Background and Funding

The ground work for the establishment of the Food and Agriculture Organization of the United Nations was laid at a 44-nation meeting held May 18-June 3, 1943. The first FAO conference was held in Quebec, Canada, October 16-November 1, 1945. Its purpose then expressed was to raise the levels of nutrition and to improve the production and distribution of food and agricultural products for the peoples of all the world.

As part of its duty to serve the needs of all its member nations, the Food and Agriculture Organization of the United Nations (FAO) has become the single largest agency providing agricultural technical assistance to developing countries. It focuses on all sectors of agriculture, including forestry, fisheries, crops, and livestock. It therefore has working contact with the other major international organizations concerned with agricultural development.

FAO funding comes from several sources: contributions from its 119 member countries; the UNDP Special Fund (UNDP/SF); UNDP Technical Assistance (UNDP/TA); the Freedom from Hunger Campaign (FFHC); and UNICEF. In addition, some FAO programs are financed by funds-in-trust arrangements with recipient countries, and some by the international banks under special agreement.

FAO receives almost one-third of the U.N. development funds. This permits a yearly agricultural technical assistance expenditure of about \$100 million--almost twice the expenditure of the U.S. Agency for International Development (AID) for this purpose. FAO staff in late 1970 numbered over 5,000; about 3,300 were in professional positions and of these about 2,200 were on field assignments. 8/ FAO conducts operations in 115 developing nations and territories. Over two-thirds of the funds available to FAO are spent on technical assistance. 9/

The U.N. Development Program Special Fund: The UNDP/SF has become a principal source of FAO technical assistance funds. Originally designed to provide in-depth projects to supplement the shorter-term projects of the Expanded Program of Technical Assistance (now UNDP/TA), its principal purpose today is to identify projects for useful capital investment. To fulfill this mission, the UNDP/SF provides funds to FAO to conduct surveys of natural resources, develop applied research institutes, and organize training programs. Of the UNDP/SF funds utilized by FAO, about one-half is spent on sending experts to the field, one-fourth on equipment, and the remainder on fellowships, contractual services, and other costs. 10/ Recipient countries finance over half the project costs, with

contributions usually made in terms of supplies, equipment, and local services. [See further discussion on UNDP on page 36.]

The UNDP/SF program of technical assistance has continued to grow steadily. In the past few years, the nature of Technical Assistance projects has been changing. FAO reports that developing countries are becoming impatient with long-range programs in which the results are not visible for years. Hence, requests for short missions on specific problems are increasing. Countries are requesting more operational experts and advisory personnel to compensate for a severe shortage of qualified local experts and staff. There has been growing coordination between the UNDP components, especially in the identification of projects.

The largest portion of FAO field activities is in Africa. The following is a breakdown of Special Fund projects from 1959 to 1969.

SPECIAL FUND PROJECTS

<u>Region</u>	<u>Number of Projects</u>	<u>Percentage of Total</u>
Africa	146	36.4
Asia	89	22.1
Europe	28	6.9
Latin America	101	25.1
Near East	36	8.9
Inter-regional	1	.2

Source: FAO Basic Study No. 23, page 36.

Freedom from Hunger Campaign: The third main element of the FAO program is the FFHC. Organized to provide public education about problems of hunger in the world, the FFHC has now assumed some operating programs as well. It works through country FFHC groups to communicate with both the public in the developed countries and farmers in the less developed countries. Its major operations program is in increasing fertilizer usage in developing countries. To help this effort, the fertilizer industry contributes substantial amounts of cash and fertilizer. As of January 15, 1969, FFHC had completed 129 projects and had 224 in operation, at a total cost to the donors of about \$18.5 million. 11/

Food and Agriculture Organization/United Nations Children's Fund: The FAO/UNICEF program provides technical assistance dealing with the health and nutrition of children and mothers. FAO provides the technical advice and assistance in project identification, appraisal, formulation, and implementation, while UNICEF furnishes material assistance in the form of supplies and equipment. The five areas covered by this program are applied nutrition, milk conservation, high-protein foods, home economics, and education and training. The program operates in over 90 developing countries with Africa having the largest number of projects and Asia and the Far East receiving the largest allocation of funds.

Bilateral Aid Through FAO: Countries may channel aid through FAO on a selective basis through the FAO Government Cooperative Program. Each year, FAO submits a list of potential projects to participating donor countries. From this list, a country may select the projects which seem to be most suitable to its interests and budget. A program is then developed with financing and timing of projects meeting specific needs of the donor country. Once the program is set, FAO further prepares the projects on the field level.

In the case of large projects or projects where special problems exist, a preparatory field mission may be conducted with at least one representative from the donor country. The draft plan of operation is submitted to both the donor and recipient country before the project begins. Currently, only Sweden and Denmark are using this particular type of agreement, although FAO has a similar arrangement with Switzerland whereby separate agreements are made for each project.

There are currently 113 projects of this kind, either in operation or scheduled to begin. 12/ Of these, the United States finances one--an off-shore fishing feasibility survey in Vietnam. The rest are primarily training programs, conducted both in the donor countries and in the field.

Other projects provide technical assistance through consultants or operational personnel. Such assistance may be given for on-going projects or preparatory missions. Some projects include the provision of equipment and supplies, construction, preparation of training publications and text books, and the financing of revolving funds for agriculture or fisheries development.

The costs of the projects have run from \$2 thousand to \$2 million. FAO estimates that the total value of approved projects as of July 1970 is over \$18 million, and increasing rapidly. 13/

The FAO has brought its wide-ranging activities into focus on five major program areas. In conjunction with FAO's Indicative World Plan, these areas of concentration have been identified for special attention:

- . High Yielding Varieties--seeds, fertilizers, pesticides, irrigation, and drainage to increase crop yields.
- . Closing the Protein Gap--animal culture, development of inland fish culture, shell fish and marine culture, improvement of fishing crafts, and intensive development of new protein foods.
- . War on Waste--combating losses due to inadequate handling, storage, and processing; weeds; insect diseases; rodents; birds; poor animal husbandry; inadequate animal nutrition; and misuse of land and water resources.
- . Mobilization of Human Resources for Rural Development--measures to equip rural populations for increased productivity (land tenure, farm credit, price incentives), and organizational measures to foster rural productivity.
- . Earning and Saving Foreign Exchange--domestic processing, commodity arrangements, and increased export marketing.

Technical Assistance

Technical assistance to developing countries now constitutes a substantial portion of FAO's work. Experts are sent to provide assistance in several areas of agricultural development.

Land and Water Resources: Technical assistance is provided for pasture and crop improvement, appraisal of areas suitable for agricultural development, and development of national soil surveys and conservation activities. The forms of assistance include projects to locate water resources, pre-investment studies for irrigation projects, advice to

governments on administration and legislation, mobilization of unemployed rural labor to improve water supplies, and applied research on fertilization for the new high yielding crop varieties. In 1970, FAO cooperated in 10 large-scale UNDP projects dealing with soil fertility and fertilizer use. In addition to preparing publications on soil classification and methodology, FAO supplies scientific information resulting from its use of radioactive isotopes to trace underground water and computer programming to determine optimal use of water resources.

Fisheries: FAO operates a fishing fleet of over 90 vessels which serves projects in nearly 40 countries. In 1970, FAO participated in more than 170 fishery development projects. Over 300 experts are included in these activities. 14/ The major emphasis of the program is training and education. One of its major projects, for example, has been the creation of a Fisheries Development Institute in Chile. To date, FAO estimates a 30 percent increase in productivity by participants in its training programs. 15/ A second area of assistance is the promotion of cooperation among nations and institutions interested in investment in the fishing industry. FAO plays an active role in sponsoring of international conferences and drafting international treaties on conservation of fishery resources.

Rural Institutions: FAO promotes rural social development through technical assistance in land reform and resettlement, institutional cooperatives, credit, marketing and distribution facilities, and agricultural education and research. Included in this phase of work is assistance with the entire process of introducing high yielding varieties to particular regions.

FAO is active in the planning and implementation of educational programs. It assists countries in establishing agricultural schools and conducts workshops for agricultural teachers. FAO works closely with UNESCO and ILO to promote agricultural training. Particular emphasis is given to training youth.

Along with these research and training activities, FAO has worked on marketing and production incentives in several countries. Market development projects and grain price stabilization programs, in cooperation with WFP, have been the backbone of the program. FAO has organized several conferences on marketing; both on a national and regional level.

Finally, FAO encourages development of rural cooperatives. About 50 projects were conducted to support rural institutions during 1969. 16/

Animal Production and Health: FAO supports operational programs, research activities, and the dissemination of information. To promote livestock production, work is done on animal breeding and husbandry and the control of animal disease. The animal breeding assistance usually takes the form of training programs, whereas the health program often involves large-scale efforts for vaccine production and distribution. FAO is often called upon in animal disease emergencies, and can provide vaccine on short notice. While the organization pays particular attention to cattle production, hogs, and poultry industries, it also provides extensive assistance in dairy development and milk marketing. In 1970, the FAO established an International Dairy Development Scheme to help accelerate development of local dairy industries. FAO has operated almost 300 projects in the field of animal production and health. 17/

Plant Production and Protection: FAO's efforts to increase production of crops include a concern with high yielding varieties, pesticides, and advanced farming techniques. A major effort is given to transmitting high yielding varieties from one region to another. Especially promising results have been made on the introduction of high yielding Mexican wheats into the Near East. On the national level, FAO advises governments on seed production and legislation. Attention is given to the production of industrial and protein-rich crops. In the area of crop protection, a major effort is now being given to evaluating potential dangers of pesticides. Studies are being made in cooperation with WHO on the residual effects on humans. At the same time, research continues on overcoming insect resistance to common pesticides. Operational projects include assistance on improvement of forage and pasture crops, rangeland, fruit and vegetable production, and training in modern horticultural techniques. FAO was responsible for about 70 projects in these fields during 1969. 18/

Forestry: The main emphasis in forestry is on education and training. In addition to advising many governments of Africa and Latin America on the operations of their own schools, FAO operated 27 forestry education and training projects devoted mainly to the production and distribution of forestry text books and the improvement of school curricula. 19/ Great attention is also paid to research on high yielding varieties at both the theoretical and practical levels. A third area of activity involves surveys on forestry production and distribution capacity in various countries and regions. Increasing emphasis is being placed on tropical forest products and the means of marketing them. While the number of forestry experts involved in FAO projects has remained fairly constant during the past decade, recent years have seen increased emphasis on forestry development planning and on environmental conservation. In 1969, FAO managed 120 forestry projects financed by UNDP, FFHC, and WFP. 20/

Nutrition: During 1970, FAO was involved in 250 field projects which were in whole or in part concerned with "closing the protein gap." ^{21/} Activities center on education, promotion of protein foods, and group feeding. Home economics programs attempt to reach the rural families and communities with information on the best use of food. Special care, according to FAO, is taken to keep new food innovations within the traditional dietary patterns of the developing countries. UNICEF finances the bulk of FAO nutrition projects, primarily improvements in nourishment of children and mothers.

Agricultural Development Planning: While most of FAO's work is on a country or regional project basis, FAO's Indicative World Plan provides a world-wide analysis of the agriculture situation and projections to 1980. Based on this analysis, work is going forward to estimate demand and to identify policy issues in line with the objectives of the U.N. Second Development Decade (1970-1980).

Other Areas: FAO also provides advice and assistance on food processing, crop diversification, and mechanization. And, it is concerned with farm management, agricultural engineering, and production economics. Focus is given to the earning and saving of foreign exchange through increased exports and import substitution. FAO compiles data on food outlooks and conducts analyses for this purpose. It also produces information through economic analyses of completed projects, reporting this information in its several publications (which now include 10 annuals and 8 periodicals).

FAO's largest current project is the 1970 World Census of Agriculture. Another program is the coordination of international food standards through the joint FAO/WHO Codex Alimentarius Commission. This Commission helps remove non-economic obstacles to international trade, such as conflicting health standards and national legislation. The FAO is also involved in research on the utilization of atomic energy in connection with food production. It deals with induced plant mutations, fertilization, and food contamination. Recently, effort has been shifted to the study of pesticide contamination.

Training

In most projects funded by UNDP, an essential element is the training of local counterpart staff. This is not a simple matter. Often, there is a lack of adequate counterpart staff. This is especially the case in such fields as economic planning, hydrology, animal production and health, forestry, and manpower planning. The problem is particularly acute in a number of countries in Africa. FAO feels that more attention and efforts are needed to improve counterpart capability and to assure their continuity on projects for which they receive training.

Fellowships are provided by FAO to help in training counterpart staff who are not trained directly in the field and for others for whom training would be beneficial. Traditionally this has meant training in a more developed country. The United States, Western European countries, and the U.S.S.R. provide much of the foreign training. 22/ Most of the FAO sponsored nationals who come to the United States are programmed by the U.S. Department of Agriculture. The Foreign Economic Development Service of USDA conducts the training or arranges for other institutions, especially U.S. land-grant universities, to do it.

Since 1951, FAO has administered over 8000 fellowships, half of them in the last five years. 23/ Most are now funded under the Special Fund Fellowship program. Increasingly, however, training programs are being located in the developing regions, especially in Latin America.

FAO regional training seminars and centers are becoming more problem-oriented and directly related to the needs of the participating countries. More advance preparation is also taking place to allow participants more interaction in the actual program. The number of such regional programs now runs about 50 per year.

Other Assistance

While FAO's Field Program is largely related to technical assistance and training, attention is also paid to promoting conditions for successful investment in developing countries. This involves support of on-going UNDP projects and the identification of potential projects for outside investment. To fulfill these functions, FAO has recently developed the following three cooperative programs.

Investment Center: FAO has worked closely with the IBRD and other multilateral lending institutions since 1964. 24/ The Investment Center in Rome is the coordinating agency for all FAO investment servicing activities. Its program is designed to meet the most important obstacle to development investment -- a lack of bankable projects. Thus, well over half the Center's work is devoted to the identification and preparation of projects for investment. The rest is given to participation in IBRD country economic reviews and appraisal missions and supervision of projects under implementation. [See further discussion of FAO-IBRD cooperative arrangements on page 21.]

FAO/Industry Cooperative Program: Since 1965, FAO has been serving as a liaison between governments seeking development and industry seeking good investment in agriculture. Some 80 multi-national companies are cooperating on this program. 25/ Emphasis centers around project identification and promoting government willingness to encourage private investment. To date, most progress has been in livestock, forestry, and food processing.

The program helps bring managerial, marketing, and financial experts into projects to help insure their success. For example, when a program mission conducts a survey of a particular commodity for potential investment, the government receives both an expert adviser and, at the same time, a potential investor. It is too early to evaluate the impact of the program, but it is promoting investment in areas where public investment may not be possible, but private investment would be.

World Food Program: WFP is a joint effort by the UN and FAO to use surplus food as an investment in programs of economic and social development and, in a few instances for emergency relief. Food is often used as payment in self-help schemes or part wages in development projects. Some is used for institutional feeding programs to provide adequate and balanced diets, and some is also used for livestock feed.

During 1969, the WFP committed \$330 million--almost ten times the size of FAO's regular annual budget--to food aid in support of 70 development projects in 40 countries. 26/ Twenty-five emergency operations were also carried out; some have been cooperative between the UNDP/SF and WFP.

THE WORLD BANK GROUP

Background

The International Bank for Reconstruction and Development -- more widely known as the World Bank -- is one of three institutions known collectively as the World Bank Group. The others are the International Development Association (IDA) and the International Finance Corporation (IFC). They share the common purpose of providing and promoting a flow of capital into productive projects and programs in their developing member countries, but they function in different ways.

- . The World Bank makes long-term loans at conventional interest rates; most of the projects it finances are large scale.
- . IDA lends for much the same kinds of projects, but deals with countries not fully able to bear the burden of conventional loans; its credits are very long term and free of interest except for a small service charge.
- . For both the Bank and IDA, the criteria for making a loan or credit are the same: the project to be financed must make a significant contribution to the economy of the borrowing country and there must be a reasonable certainty that the loan will be repaid. The loan or credit will normally help finance the foreign exchange costs of the project, although under certain circumstances, Bank/IDA funds may provide for local costs as well.

The World Bank's interest in agricultural development is almost as old as the World Bank itself. It made its first loan for this purpose in March 1948 -- within 21 months of having opened its doors for business. But this was not a sector in which the World Bank was active in its early years. Although substantial sums were lent for agricultural development, particularly for farm machinery and irrigation projects, the lending was constrained.

In the mid 1960's, the World Bank Group found it possible to support agricultural development on a much larger scale. A broad measure of the extent to which it intensified its efforts is reflected in the statistics. From the time the Bank opened its doors for business in the summer of 1946, until June 1963, about \$650 million had been lent specifically for agricultural projects. By June, 1968, the total had risen to \$1,300 million. In other words, over the five years to mid-1968, the Bank Group had lent about as much for agriculture as in all the previous 17 years. By the end of the fiscal year, June 30, 1970, the Group's

total lending for this purpose had risen to over \$2,000 million--an increase of nearly \$800 million in only two years. The Bank Group's efforts to increase its contribution to agricultural development is further evidenced by the fact that at the end of 1963, nine agricultural projects were being appraised or negotiated, and another 19 were in various stages of identification or preparation. The corresponding figures as of June 30, 1970, were 42 and about 100.

As it crosses the threshold of the 1970's the Bank Group is in the midst of another upswing in its agricultural lending. In the five years to the middle of 1973, it plans to lend four times as much for agriculture as in the previous five years. The first landmarks in that direction have already been reached: in fiscal 1969, the Group's agricultural lending totaled almost \$390 million, or about double the level of the previous year. In fiscal 1970, it rose further--to \$415 million. Another index of the relative importance of agriculture in the Bank Group's work is that, in 1962, agricultural projects accounted for only 7.8 percent of the total lending to developing countries. By 1970, the proportion has risen to 18 percent. These totals do not tell the whole story. Apart from the loans provided specifically for agricultural development, much of the money given for transport, especially road transport, has gone to projects intended mainly or partly to serve the needs of farming communities. The same is true of many of the loans given for electric power development. Indeed, a substantial proportion of the lending in other sectors, such as industry or education, has also directly or indirectly helped agriculture.

Effective utilization of the increased investment being projected will require careful cooperative efforts by the Bank Group and the countries involved. Considerable selectivity among projects will need to be exercised if the Bank's traditional standards for loans are to be maintained.

Development Assistance

The Bank's involvement in agriculture in the early years did not start with any preconceptions of what might be called "a grand design." Rather, it edged its way forward, picking and choosing projects of high economic priority. The aim was to concentrate on the crucial bottlenecks in a country's agricultural economy that seemed particularly suitable for Bank financing. The very first agricultural loan, in 1948, provided \$2.5 million to Chile for imports of agricultural machinery. The loan was typical of what was to follow in those early years in the sense that a large proportion of the lending, down to the late 1950's, helped to finance the purchase of farm machinery. That was a period when there was a desperate shortage of such machinery, and of the hard currencies required to buy it from the United States and other industrialized countries which were the main suppliers at the time.

In the second phase, broadly covering the late 1950's and the early 1960's, the biggest proportion of the Bank's agricultural lending went for irrigation and flood control projects. This emphasis has continued. For a variety of reasons, irrigation has proved a particularly suitable subject for Bank Group lending. It provides the farmer with what is often his most important input -- a large, assured or regulated supply of water. The capital cost of irrigation projects is usually large. Much of it is foreign exchange. And that is where institutions like the Bank and its soft-loan affiliate, the International Development Association (IDA), can be particularly helpful.

The Bank Group's program in agriculture has evolved in several important ways in recent years. First, investment is more diversified. While lending for irrigation is still the principal component, more loans and credit are going to land settlement, seed improvement, grain storage, livestock upgrading, forestry and fisheries training, and extension work. Second, the Bank has put more support behind comprehensive sector analysis and overall agricultural development projects. Third, the Bank has made more loans to member countries' investment credit institutions, strengthening their ability to extend credit as needed, particularly to smaller farmers seeking to utilize higher-yield technology. The support is based on the realization that agricultural credit is vital for changes that touch most closely on the daily routine of the farmer. It can provide a large part of the resources required for the purchase of inputs such as fertilizer, as well as much of the capital required for investment on the farm itself. Agricultural credit is now the second largest category of the Group's lending for agriculture, and its relative importance is growing.

A variety of institutional arrangements have been made for channeling credit to the farmer. In Mexico, the credit has been routed through the central bank, which has then re-lent it through the commercial banks. In the Philippines, the money has flowed to the farmer through small rural banks. In Tanzania, the agricultural credit agency has relied on the strength of local cooperatives to distribute credit. A common feature, however, is that the program of lending to credit institutions does not only provide them with money; it provides them also with extensive technical assistance for improving their organization and operations.

Another increasingly important area of emphasis is livestock development. Its importance to the Bank is viewed in terms of protein development and agricultural diversification. The largest single loan ever made by the Bank for agriculture, \$65 million, was made to Mexico in May 1969 for beef and dairy cattle development. 27/

Greater emphasis has also been given in recent years to increasing fertilizer production in the developing countries. The Bank Group has

helped to finance a number of fertilizer ventures, particularly through the International Finance Corporation (IFC), which is concerned with promoting the flow of investments into private productive enterprises.

The newest area of major Bank interest is in agro-industries and related activities such as fisheries. The Bank is concerned with processing, storage, distribution, and marketing. Except for the activities of the IFC, however, lending has been fairly limited in this area to date. Only the Mexican Cattle Development loan previously mentioned, and loans or credits for fisheries to China, Ecuador, a \$19.2 million IDA credit to Pakistan for grain storage, and Ghana have been made. 28/ Several other projects are in the final stages of appraisal, and the Bank group is seeking additional projects in this area which it may appropriately help finance. The IFC has taken part in financing a number of private ventures directly involved in the production and processing of food. It has put money into cattle raising, grain storage, sugar refining, and flour milling, as well as into several food canning and processing activities aimed at production for both domestic and export markets.

The rest of the Bank's activities in agriculture may be classified as general agricultural development. This involves any number of projects including mechanization, development of high yielding seeds, pesticides, diversification, land clearance, and forestry.

The trend in agricultural lending has been towards greater geographical diversification and smaller loans, mostly under \$10 million. 29/ Most important in terms of geographical emphasis is that last year almost half the countries assisted in agriculture were located in Africa. For Africa, this represents a tremendous increase in development assistance. For the Bank, concentration in less developed countries means much greater effort in terms of human resources and project cost. The effort needed for project identification and preparation of a \$1.8 million loan to Burundi to support coffee production may be similar to that needed for a \$25 million irrigation project in Pakistan, both of which were made in fiscal 1969.

The Bank Group has diversified the nature of its agricultural work in terms of studies, pre-investment surveys, project preparation, and lending. The work has also been extended to many more parts of the world than was the case a few years ago. Until recently, most of the Bank's agricultural lending was concentrated in a relatively small number of countries. Pakistan and India (including the Indus Basin Development Scheme) headed the list. The others included Colombia, Brazil, Iran, Malaysia, Mexico, Morocco, Peru, and Thailand. But the Bank Group now has some kind of agricultural work in progress in 85 countries.

A notable feature is the increase in its work in Africa. In 1965, permanent regional missions were established in Nairobi and Abidjan, primarily to assist governments in eastern and western Africa to identify and prepare agricultural and transportation projects for presentation to the Bank and IDA. The Bank's Agricultural Development Service, based in

Nairobi, is helping to overcome the shortage of qualified managerial personnel by making managers available to governments for agricultural projects on a reimbursable basis. Elsewhere, notably in Latin America, the Bank has employed on contract a number of project managers who have helped governments implement projects which the Group is financing.

There are five basic steps in the granting of a loan by the Bank Group.30/

Identification: The IBRD uses three tests to determine if a project is suitable for Bank financing. First, does the sector in which the project falls have high priority in the country's overall development needs? Secondly, is the project feasible in terms of cost and ultimate benefits? Finally, will it have adequate local support? These questions are raised during the identification of any project. They may be relatively easy to answer where loans are "repeater loans" which arise from currently financed Bank projects. Much of the needed research has been completed on these. Projects may be suggested by the potential borrower or identified by Bank missions sent out to make economic or sector surveys of the countries. In the case of agriculture, FAO may participate as needed. Permanent missions, such as those stationed in Africa and Indonesia, may identify projects in their areas.

Preparation: It is at this point that the Bank enters into close working relationship with the potential recipient country. The formal burden at this stage is with the borrower. The work is very detailed and involves development of all the specifications and various considerations needed to present the loan for appraisal. If the government is not able to carry out the study itself, it is required to hire a consulting firm acceptable to the Bank. Sometimes this is financed by the Bank with a grant or credit, but more often it will be done through the UNDP.

Appraisal: After the preinvestment surveys are complete, the Bank appraises the project to decide if a loan should be made. These studies are almost exclusively conducted by the Bank staff, and are always conducted in the field. Three sets of problems are analyzed. Technical and economic considerations are examined in terms of the adequacy of all aspects of design and plans. Additionally, the needs of the economy and the relationship between the project, sector, and economy are carefully examined. Secondly, the commercial and financial prospects of the project are considered. This includes availability of needed inputs as well as potential outputs and their marketability. If construction is involved, the bank determines if sufficient counterpart funds are available from the borrower government for this purpose. Finally, the managerial and organizational aspects of the loan are analyzed. The Bank is concerned with the top management of the project, both in terms of construction and management of the project upon completion. Also, there is concern with staffing procedures. In addition, the Bank seeks assurance that a project is insulated from undue political interference, and that the organizations financed are adequately efficient.

Negotiations: Negotiations with potential borrowers after the acceptance of a loan project through the appraisal process can involve many aspects. The Bank not only negotiates the specific terms surrounding the construction of a

project but, where necessary, other issues also. The Bank may, before lending, request commitments on various questions such as staffing, future support, and commercial matters not tied solely to the specific project.

Supervision: After negotiations are complete and the project is approved by its Board of Executive Directors, the Bank has the obligation of monitoring the operation. Project reports are requested on a regular basis and are analyzed by the staff. On an average of nine months, staff will visit each project under construction or implementation. Usually, the Bank does not supply technical assistance at this stage, although in Africa, as mentioned before, the Bank is increasingly making project managers available to those countries which cannot meet the manpower requirements. In the field of agriculture, FAO will often participate.

Technical Assistance

There is a growing recognition of the importance of human resources as essential to the success of capital assistance within developing countries. The Bank is beginning to respond to a growing demand by taking an active interest in technical assistance and training and by providing extensive funds for project identification and preparation.

While the Bank is primarily a lending institution, it does give grants for pre-investment studies. As a member of the United Nations' family, however, it attempts to avoid conflict with the UNDP, which has the major role in providing such grants. The Bank will do so only up to \$200,000; in any case, the UNDP has the option to finance the study no matter what the cost may be.

As of the end of its latest fiscal year (June 30, 1970), the Bank has served as the executing agency for 62 UNDP-financed studies. The studies completed by the Bank have led to investments totaling \$918.9 million as of that date.

In addition, the Bank conducts project identification studies itself, and commissions FAO and UNESCO to do some in their respective fields. During fiscal 1970, FAO undertook 76 such missions, and FAO Staff participated in 36 joint missions with the Bank.^{31/} Currently FAO works with the Bank group through its Investment Center which houses some 55 experts funded by the Bank. [See pages 21-23.]

The Bank now has three major permanent missions, two in Africa and one in Indonesia. The two African missions represent an increasing awareness of the importance of human resources to successful development. Through its Agricultural Development Service, the Bank is now providing project managers to governments in Africa. In addition, these permanent missions provide the opportunity for efficient identification of projects and problems. The Indonesia mission is part of a major effort to assist that country through a massive and integrated effort of assistance. The program includes

advising the government in the formulation of its economic policies and overall economic plans and programs, assisting in the implementation of economic policy decisions and specific sectoral and project programs and plans, and in the coordination and mobilization of financial and technical assistance.

Technical assistance is a part of virtually every loan or credit either in the identification, preparation, or implementation stages. In addition, financing may on occasion be provided for project preparation. Six such lending operations were approved in fiscal 1970.^{32/}

The Bank also provides technical assistance through its program of Country Economic Missions in addition to expanded regularly scheduled missions to developing countries intended to help the process of designing strategies for the various sectors of the countries' economies. Teams will include UNDP representatives and specialists from specialized agencies, when appropriate. Missions will go annually to the largest developing countries, and every two or three years to others. This program is designed in part to facilitate financing of general agricultural development programs as well as individual projects.

Training

The Economic Development Institute was set up in 1955 by the World Bank to provide training services for member countries and to assist in broadening the perspective and enlarging the competence of senior officials concerned with developmental work in these countries. In organizing its training program, the Institute utilizes the experience of the World Bank and its affiliates regarding problems of economic development.

Six or more courses are scheduled in most years, including a six-month course which deals broadly with the problems and policies of economic development and a number of shorter courses covering various aspects of the evaluation, selection, preparation, and execution of development projects.

To the extent that its staff resources permit, the Institute also offers assistance to institutions in developing countries which have continuing programs for training officials in economic development.

The Institute is a staff college for senior officials of less developed countries who are concerned with the formulation and administration of policies, programs, and projects. The courses are designed to give the participants both a broad perspective of the process of development and an insight into their own particular problems. The curriculum emphasizes practical considerations which will increase the effectiveness of these officials in discharging their responsibilities.

The Institute has a small full-time teaching staff, with staffs of the Bank and the International Finance Corporation, including economists, engineers, lawyers, financial analysts, commodity experts, and country specialists, frequently conducting sessions when their special knowledge and experience are applicable. Specialists from other international organizations, government agencies, universities, and private concerns are likewise invited to lead sessions related to their fields.

One of the courses offered is on agricultural projects and helps provide information on the special characteristics of the agricultural sector; prospects for demand and supply of the main commodities; technological possibilities for expanding production; the role of marketing; price incentives and credit; and land tenure arrangements.

The Agricultural Projects Course is intended to familiarize senior officials with project analysis as a method of making the best use of capital funds for agricultural development. Participants are normally chosen from departments responsible for preparing or reviewing project analysis within ministries of agriculture, central planning groups, or other agencies concerned with agricultural development. Special emphasis is placed on those techniques found most appropriate by the Bank for assessing proposed investment in agriculture in developing member countries.

Among major elements covered in the course are: (1) analyses of rate of return on investments in agriculture and cost-benefit ratios; (2) analyses of specific projects, on a case-study basis, in areas such as irrigation, agricultural credit, or marketing; (3) identification and preparation of projects appropriate for consideration by officials of international lending agencies; and (4) understanding the development process in agriculture and the place of agriculture within the national economy.

FAO/IBRD COOPERATIVE PROGRAM

The FAO/IBRD Cooperative Program was established on April 2, 1964, to assist agricultural progress in developing countries by combining for certain operations the staff resources and experience of the two organizations. The Program hopes to expand opportunities for investment in agriculture and thus make a significant contribution to the development of less developed countries in whose economies agriculture plays so large a part.

A major constraint on a rapid increase in Bank and IDA lending for agriculture is a shortage of well-prepared priority projects within the implementation capacity of the borrowing countries. The Cooperative Program is primarily aimed at reducing this constraint by assisting governments in the identification and preparation of investment projects for Bank or IDA financing. The final decision on whether or not a loan or credit is made remains with the Bank and IDA.

On the FAO side, with the rapid expansion of field programs, especially under UNDP Special Fund projects, advice, studies, and investigations have become increasingly oriented toward investment. The information and expertise built up by FAO form a valuable storehouse to draw upon for the purpose of developing sound projects suitable for World Bank support. The growing gap between pre-investment work and investment financing was thus intended to be bridged through a combination of efforts of the two organizations.

Organization of the Cooperative Program

FAO and the Bank agreed that the most effective way for FAO to carry out its part of the Cooperative Program was to designate a team of staff members, drawn largely from the technical divisions of FAO, who would be employed full time on Bank-oriented activities. These team members would acquire an intimate knowledge of the Bank's approach and modes of operation which would enable them to advise countries in the preparation of projects for consideration by the Bank. With this approach, the Cooperative Program benefits from FAO's wide range of expertise without disrupting its regular activities except for backstopping from the division as required.

Close liaison is maintained with Bank headquarters and future activities are determined and planned. Other arrangements include exchange of staff between the Cooperative Program team and the Bank, and joint seminars.

Functions and Activities

Under the terms of the basic agreement, all missions undertaken by the Cooperative Program must be approved by the Bank. Identification and preparation missions are normally carried out under FAO responsibility, while all other missions are under Bank responsibility.

The Cooperative Program's help to governments in preparing projects usually consists of two stages. The first, identification, consists of (1) a preliminary view of the possible project to assess which activities should be included, what information is available and what has to be obtained to support a loan application, and the priority of the project and (2) discussions with the government on the organizational and administrative arrangements which will be necessary to execute the project successfully. An identification mission, consisting of two to three people, usually takes about two weeks in the field.

The second stage consists of assisting governments in all aspects of project preparation. At this stage, there must be detailed, critical analyses of the technical, economic, and financial data and assumptions used in the project. The preparation mission helps the government assemble the detailed data needed by the Bank to appraise the project. Some of the points to be covered are the scope and size of the project, the government's administrative proposals and their legal basis, economic policies affecting the project, the capability of the organization and management envisaged, the market outlets and prices for the product, the situation with regard to availability of local resources in manpower and finance, detailed costs and construction schedules, the implementation capacity of the government or the project authority, technical assistance, etc. The team composition must be tailored to the specific requirements of the project; this usually requires specialists from a number of disciplines. Several missions may be necessary, particularly if there are serious gaps in the data.

Cooperative Program team members participate frequently in Bank appraisal missions. Project appraisal involves a thorough study of the technical, economic, financial, commercial, managerial, and organizational aspects of a project with a view to deciding whether or not the Bank will help to finance it and, if so, to what extent. This involves a thorough evaluation of the data which have been assembled during the identification and preparation phases, as well as formulation of the financing plan and implementation arrangements such as methods of procurement. Appraisal of a project clearly is the crucial stage in making a loan. Even though care is taken during preparation, unexpected difficulties can arise in appraisal since economic development is a dynamic process and assumptions made during the preparation stage may no longer be valid at the time of appraisal.

The terms of a loan often include provisions for technical assistance in the execution of the project and for complementary studies. Under the Program, the Bank may request FAO to supply such assistance.

An increasing number of the more recent loans or credits, particularly since 1965, have benefited from the work of the Cooperative Program, either at the stage of the identification or preparation of the project or at the stage of its appraisal. Since its inception, the Program has worked on a total of nearly 150 projects in over 60 countries and at present is preparing a substantial proportion of the projects envisaged for possible Bank financing in the agricultural sector.

In evaluating the achievement of the Program, mention should be made of the progress achieved in diversifying the field of agricultural investment considered by the Bank. Teams have worked on a wide range of projects, including livestock, irrigation, tree crops, land reclamation, credit, storage, seeds, cooperative farming, integrated regional projects, agricultural roads, and forestry, fishery, and agricultural education. In most cases, a number of different aspects are included in the same project.

INTER-AMERICAN DEVELOPMENT BANK

Background

The idea of a regional bank for Latin America is eighty years old. It was first proposed in 1889 at the First International Conference of American States. Although a completely independent organization, the establishment of the Inter-American Development Bank (IDB) was negotiated within the framework of the Organization of American States (OAS), and membership is restricted to the members of OAS. 33/ Negotiations were completed and an agreement signed in December 1959. IDB headquarters are in Washington, D. C. Membership now consists of 22 countries in Latin America, the Caribbean area, and the United States. The IDB is a successful regional bank and has become a major financial institution in the area.

IDB, from its beginning, has been concerned with the smaller farmer and the traditionally more backward rural sector. A large portion of its loans are devoted to agriculture -- about one-quarter since 1960, and over one-third last year (1970). 34/ Through 1970, agricultural loans have totaled the equivalent of \$1,067 million. 35/ Other investments in the areas of water supply, farm-to-market roads, rural electrification, and export financing have also had a substantial effect upon the economic and social development of the rural sector.

Last year, IDB provided 67 loans, of which 25 went to agricultural projects. Through these loans, the agricultural sector received \$202 million. 36/ Loans are generally provided from two funds:

1. Ordinary Capital Fund provides credit from capital, borrowings, and recoveries on loans. It directed \$32 million to agriculture last year through six loans. 37/ Interest rates of 8 percent on these loans reflect increasing world capital market rates.
2. The Fund for Special Operations provides credit on concessional terms from voluntary contributions of member countries. With a replenishment in 1969, the IDB was able to make almost twice the volume of loans from the Special Operations Fund as it had in the previous year. The \$170 million for agriculture represented a five-fold increase from 1968. 38/ Interest rates on these loans are usually 2 1/4 or 3 1/4 percent, depending on the nature of the project. The average loan from the fund for Special Operations covers about one-half of the project cost, the remainder from the recipient country. 39/

A third source of support in the past was the Social Progress Trust Fund, an arrangement with the United States to provide financing for projects with social, as well as economic, significance. By 1965, the Fund was virtually obligated. Since then, loans in this general area have been assumed by the

Fund for Special Operations. The Social Progress Trust Fund still conducts activities with repayments on previous loans by participating in Special Operations loans and making grants. Many of the grants provided last year went to sponsor studies which could benefit lower income farmers.

Additional funds are administered by the bank under individual agreement with non-member nations. Through 1969, \$69.8 million had been lent in this manner. 40/

Development Assistance

IDB considers agriculture to be the most important sector in Latin American development; no sector received a larger amount of financial or technical assistance. Special attention is paid to the needs of the small farmer, but since it is difficult to deal with a large number of small loans the Bank works through intermediary financial institutions rather than directly with individual farmers.

The largest single category of funding is that made available to the thirty-nine national agricultural credit facilities for relending. 41/ The Bank helps in the financing of capital goods rather than working capital as needed for agricultural development. Through these national agencies, farmers can obtain loans for machinery, seeds, fertilizer, and other inputs which can enable them to raise production and generally improve rural standards of living. The Bank provides extensive technical assistance to these credit institutions in the form of training and guidance.

The next largest commitment is to elements of infrastructure which are considered vital to increased production. These include irrigation, rural electrification, and transportation, with emphasis on irrigation dams and canals. Again, special attention is directed to the needs of the small farmer. Mexico, for example, has been the recipient of a number of IDB loans for small irrigation projects which will one day provide water to about 1.5 million acres. 42/ The following table indicates the principal categories of IDB loans for agricultural development.

1969 IDB AGRICULTURAL LENDING

Credit Institutions	\$88 million
Irrigation	34 million
Marketing Facilities	29 million
Farm Settlement	28 million
Research and Extension	14 million
Animal Disease	11 million

Source: IDB Annual Report, 1969, page 5.

Progress in production and creation of modern infrastructure has raised new problems in the area of marketing. An irrigation project is useless if the increased production of commodities cannot be sold. Likewise, for the impoverished urban dweller, increased food production means little if he cannot buy the food. Thus, market considerations are becoming increasingly important elements of each loan. The Bank is in the process of identifying needs and opportunities for making loans dealing with the complete marketing process. IDB is concerned not only with the processing, storage, and wholesaling of commodities, but also their ultimate destination.

Another large portion of agriculture loans and technical assistance goes to colonization programs and rural development. These projects include land preparation and construction of homes, roads, and schools in new land opened to agriculture. IDB has been the major source of external funds for programs relating to agrarian reform in Latin America. Support also goes to institutions of higher education for purposes of training, research, and extension. A number of loans have been concerned with animal health, primarily as part of a massive effort to eradicate foot-and-mouth disease of cattle in South America.

Technical Assistance

The IDB often requires that countries receiving loans use technical assistance on the project. At times the upgrading of human resources for a particular project must be completed before the staff of the Bank will present the loan to the Board of Directors for approval. Furthermore, loan terms may provide that "software" must be completed before money is disbursed. Such terms may provide for the training of professionals or the creation of a new government unit.

Most technical assistance sponsored by the Bank is for specific projects and financed on a reimbursable basis. This aid is an important part of many loans. For example, almost one million dollars of a \$10 million loan to Argentina to combat foot-and-mouth disease is designed to improve the capacity of professionals in the country to carry out the program. Up to \$155,000 of a \$6.5 million loan to Chile for construction of feeder roads will be used to strengthen a Department of Roads to insure adequate road maintenance. Almost \$400,000 of a \$3.7 million loan to the National Credit Bank of Nicaragua will be used to hire experts in agronomy, veterinary medicine, animal feeding, dairy farm operations, and business planning. 43/ Other agricultural loans have similar technical assistance provisions.

Financial assistance is offered by the Bank to help countries identify projects and prepare the material necessary to submit the proposal to the Bank. The IDB itself does not conduct project preparation missions, but assists in the preparation as needed, particularly as to the kind of information that is required. If the requesting government is not able to do so, project preparation is usually carried out in one of two ways.

First, the government may hire a consulting firm which is acceptable to the Bank. While the Bank tries to be flexible in accepting requested consulting firms, it requests that contract arrangements be explicit. Secondly, a project may be prepared through agencies cooperating with IDB for technical purposes. The IDB is often directly involved in the project identification and implementation stages of the loan process. IDB also has a working agreement with UNDP for project identification and pre-investment studies.

On the implementation side, after a loan is approved, the Bank will usually assign one or two experts to provide continued program review at the country level. Financial experts may also be sent to the field during a project to study ways of raising working capital to allow the project to function properly upon completion.

Another area of technical assistance provided by the Bank includes broad surveys not related to specific projects. These surveys are done at the request of member countries to provide information for development plans and possible investment by the Bank or other lending institutions. The most recently completed was a detailed survey of investment priorities in the agricultural sector, done in cooperation with the Government of Uruguay. Another study of this kind was a detailed survey in cooperation with OAS of the social and economic conditions of the River Plata Basin which comprises five South American countries: completed in 1969, this particular study paid special attention to the water, power, and transportation sectors.

In addition to its project surveys, the Bank is also engaged in continuing review and evaluation of its program in terms of changing conditions and needs of member countries.

Training

IDB is also involved in training to facilitate its work with the developing countries. The major problem is two-fold: There is a lack of good projects for investment because there are not enough people trained to identify and prepare them. Secondly, there is a shortage of technical knowledge and ability to implement the changes vital to agricultural development. The IDB training programs attempt to solve these problems.

The major emphasis in the IDB program is training professionals for project identification and preparation. In the agricultural field, this activity is in cooperation with the Inter-American Institute of Agricultural Sciences (IICA). Courses include the theory and practice of project preparation. Four such courses have already been held in Nicaragua, Brazil, Peru, and Colombia. Nine such courses are planned for years 1969-72. One will be held each year in the three IICA regions -- the Andean countries, Central America, and Southern Latin America, including Brazil.

The second most important aspect of IDB training in agriculture is the field of agricultural production, particularly the application of new techniques and technologies. One such program is being carried out with the International Center for Tropical Agriculture (CIAT). Another series is conducted in cooperation with the International Wheat and Maize Improvement Center (CIMMYT), primarily for high altitude countries. This type of IDB training is just getting underway. During the next three years, five courses are projected for the tropical training program, three in horticulture, and two in livestock production. The five courses are being conducted by CIAT. At CIMMYT, six courses are projected during the next three years, one each year in maize and one in wheat.

A third area of Bank training includes seminars primarily for government officials. Most seminars are held at the Bank's headquarters in Washington and are designed to engender interest and understanding of problems in agricultural development.

ASIAN DEVELOPMENT BANK

Background

The idea of a regional development bank in Asia was born in the U.N. Economic Commission for Asia and the Far East (ECAFE) in 1963. By 1965 a committee of nine Asian nations had drafted a preliminary charter, and a year later, a formal agreement was signed. The ADB is now an active institution, headquartered in Manila.

With the admission of Hong Kong as its thirty-third member in 1969, only three eligible Asian countries are not members -- Burma, Iran, and Outer Mongolia. ^{44/} The requirement of U.N. membership restricts other countries in the region, although the bank is independent of the United Nations. By an arrangement unique to regional banks, there are 13 non-regional members, including the United States and Canada. Citizens of 29 of the member countries are represented in the staff of 438, of which 143 are professionals. ^{45/}

Development Assistance

After less than four years of operation and only two years of loan activities, it is too early to gauge the potential of the Asian credit institution. Nevertheless, some preliminary observations can be made. It is clear that the ADB is becoming a significant credit agency in the region, and it is equally evident that agriculture and technical assistance are major priorities in its activities.

The Bank's funds are derived from capital stock subscriptions by its members and a special fund made up of contributions from some of the members in the form of non-interest bearing notes. The Bank may also raise funds in the world's capital market (as in the case of the IBRD and the IDB), with consent of the country in which the money is to be raised. At the end of 1968, the ADB had ordinary capital resources in excess of \$300 million, two-thirds subscribed by regional members and one-third by member countries outside the region. As of December 31, 1968, the Bank also had over \$25 million in special fund resources; of this amount, \$20 million was for agricultural development purposes. By December 31, 1969, ADB had made 21 loans from its ordinary capital, totaling over \$117 million. ^{46/} The rate of interest on the loans was 6 7/8 percent, and the maturity periods varied depending on the country and the purpose of the loan.

The Bank has emphasized agricultural development in its policies and programs from the beginning. The first major bank project was the "Asian Agricultural Survey," completed in 1968. The survey was planned as an economic and technical study of the state of agriculture within Asia, with reference to potential investment. This attention to agriculture has been

an important reason why agriculture receives over one-quarter of the ADB capital assistance, and another third has gone to local development banks involved in agricultural lending. 47/

Within agriculture, irrigation and drainage occupy the highest priority. This involves both construction of terminal networks and effective water management operations. The ADB has provided both financial and technical assistance in this area. Other priority fields are food grain production, agricultural development planning, credit facilities, and fisheries.

Under its special fund operations, the Bank provides concessional loans for special agricultural projects and technical assistance. The first loan from this fund was made in 1969 for an irrigation project in Indonesia. Since then, five others have been made, representing \$22 million, and comprising about 16 percent of total ADB lending. 48/ Most of the developed member countries have contributed to the funds with various stipulations about tying the assistance to purchases in the donor country.

Technical Assistance

Almost three-quarters of ADB's technical assistance is devoted to agriculture. 49/ In 1968, the first operational year, 11 technical assistance projects were approved; six were in the field of agriculture. In 1969, 13 were approved, nine in agriculture. Much of the assistance is concentrated in advisory work associated with loan activities. There is also increased emphasis on project preparation and feasibility studies. Training of personnel is another major area of technical assistance activities. To supplement these efforts, ADB entered into an agreement in 1968 with FAO for the provision of experts. FAO participated in the Asian Agricultural Survey, and has cooperated with ADB since then.

The Bank has provided technical assistance to Indonesia in food production and distribution, irrigation, and rural credit; Korea in agricultural production and fisheries; Laos in agricultural production; Afghanistan in irrigation; Nepal in agriculture development banking; Ceylon in fish and land development; the Philippines in fisheries; and Thailand in rural development.

The Bank is also supporting the Asian Vegetable Research and Development Center. 50/ This is a sub-regional cooperative effort, headquartered in Taiwan, concerned with the production and marketing of fresh vegetables in the developing countries of Asia. Research, training, and extension services are all part of the program. The goal of the center is to create an efficient and profitable vegetable industry which can meet the nutritional demands of the area and provide a broader base of agricultural production and rural development.

The ADB recently commissioned a second major study. The report, Southeast Asia's Economy in the 1970's, was sent to member governments in January 1971 in draft form, and is scheduled for publication later in 1971. It deals with the eight Southeast Asian member countries of the Bank and

was designed to "analyze the nature of the major problems which confront the nations in the 1970's and explore the possibilities of individual and cooperative action by governments to affect their solution.

"Special emphasis is given to problems and opportunities arising out of the 'green revolution.'" In addition to an analysis of the impact of the "green revolution," other major sections of the report include the prospect for industrialization; the future of foreign trade; the prospects for continued foreign private investments; the consideration of policies to curb population growth in the region; and the impact on the region's economy which might be expected from the cessation of hostilities in Viet Nam and from the reduction of British military presence in Singapore and Malaysia.

In releasing the report, ADB President Watanabe indicated that "the report will provide not only an important body of information, but also a source of stimulus to deliberation on developmental strategy and tactics in the area." The countries covered in this study include Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Viet Nam.

Some of the conclusions of this study which may affect the ADB's operations in the agricultural sector are the following:

- . The "green revolution" is seen to be one of the most dynamic forces operating in Southeast Asia economic development in the 1970's, if the countries of the region harness this potential for the purpose of lowering food prices and raising incomes. The report warns against uneconomic efforts to achieve self-sufficiency in grain production, and points out the need for diversification. In most rural production as a means of maximizing the growth potential of the "green revolution."
- . The study calls for reconsideration of import substitution policies and urges higher priority for exports of primary products and raw materials, processed to a more finished state.
- . The report suggests that the relative attractiveness of agricultural employment should be increased by making the "green revolution" a success and ending wage disparities between the urban manufacturing sector and the traditional economy; rural unemployment and underemployment problems of the region might thereby be lessened.

ORGANIZATION OF AMERICAN STATES*

Background

The charter of the Organization of American States was signed at the IX International Conference of American States, April 30, 1948, in Bogota. The concern of the OAS and its predecessor organizations with the problems of agricultural development is of long standing, as evident in the creation of the Inter-American Institute of Agricultural Sciences in 1942, and as far back as 1930, when the First Inter-American Conference on Agriculture was held. The responsibility for carrying out programs in the field of agriculture has rested mainly in the Inter-American Economic and Social Council (IA-ECOSOC) which has as its main objective the promotion of the economic and social welfare of the American countries, through effective cooperation among them for the best use of their natural resources, their agricultural, industrial, and commercial development and the raising of the standard of living of their peoples. During the first two years following the Ninth Inter-American Conference, the IA-ECOSOC began the study of the problems of the region's economic development; its activities included actions in the fields of coffee and fibers production, and in 1950 the Council had already established a technical assistance program.

At present, the Organization of American States has a wide range of activities in the field of agriculture, including programs in research, technical assistance, and training, which fall under the responsibility of both the Economic and Social Council and the Scientific, Educational and Cultural Council. These activities are carried out through the Departments of Economic, Social and Scientific Affairs and the Office of Regional Development; the programs are described briefly below:

Agricultural Programs in the Department of Economic Affairs

The agricultural program in the Department of Economic Affairs is centered on the general sectoral development policy at the national level. The program includes projects in research on specific problems as well as on the sector as a whole, projects in technical assistance provided directly by the Department's staff or external experts, and projects in training which are offered in specialized OAS centers, or by ad hoc courses in institutions of third countries.

The Department carries out two types of research, one related to the activities of the Inter-American Committee of the Alliance for Progress (CIAP) and the other oriented towards the analysis of particular aspects of agricultural development.

*This section is based largely on an unpublished report prepared by the Department of Economic Affairs, OAS, for this survey.

The CIAP yearly country reviews generally include an overall evaluation of the agricultural sector, recent development, and short and medium-run projections. Some of these studies also give more detailed analyses of one or a few economic, political or institutional aspects of the sector development, or of specific crops. Only four to eight countries are studied each year, and they come up again for review in the CIAP cycle after several years. Sometimes these analyses are made on a regional basis; groups of countries with common characteristics or problems requiring coordination in their solutions are studied together.

Research projects not directly related to the CIAP reviews conducted on special aspects of agricultural development representing serious problems at the regional level, or those which, although referring to a particular country, can shed light on similar problems in other countries. Studies of this kind are often presented as background material or proposed position papers before appropriate organs of the Pan American system, and lead to general recommendations to the member countries or joint declarations of policy. Recent examples of this type of research are the studies on the use of fertilizers in several countries and a study on agrarian reform, resource distribution, and agricultural productivity.

Technical Assistance Projects: Technical assistance is provided to member countries at their request. Technical assistance in agriculture often has high priority in the national programs. These programs are evaluated through a formal procedure, using as a main criterion the conclusions reached in the CIAP country reviews. Assistance is granted according to the availability of resources.

The Department conducts an average of eight technical missions in agriculture per year, which represent some 50 man-months. About 10 percent of this work is done by its own staff. Recent examples of these are: a mission on bird pathology; one on hydrology pertinent to an ongoing project in horticulture, another on seed production.

Training Projects: Agricultural training in the Department of Economic Affairs is geared to support the efforts in technical assistance and channeled mainly through the Secretariat's Special Training Program (PEC).

PEC provides for training opportunities in different countries, particularly in Europe, United States, and Israel, where knowledge in some specific agricultural matters of importance for developing countries has advanced to a high level. The role of the Department is to pinpoint specific needs for training, and to identify the training facilities in advanced countries.

The Department is currently involved in eleven agricultural courses including: agricultural planning, artificial insemination, fruit crops technology. These courses are offered with varying frequency and accept from 2 to 25 trainees. In 1971 only six courses will be offered.

Agricultural Programs in the Department of Social Affairs

The Social Affairs Department approaches agricultural development from the viewpoint of promoting more farmer participation in development. The agricultural programs take about 20 percent of the SAD resources and operate mainly through its Division of Rural Life Improvement, covering the area of local rural development, cooperatives, and community development.

Local rural development activities are particularly oriented towards micro-planning problems. A relatively new program, its main instrument has been the joint OAS/Israel/IADB Project which is providing interested countries interdisciplinary teams of experts to guide and train national technicians in the formulation and execution of rural micro-plans and investment projects for integrated rural development.

The objective in the field of cooperatives is to strengthen cooperativism and the government agencies responsible for its promotion as an effective tool for improving rural life. The SAD has sent 20 technical assistance missions to 10 countries; organized 16 courses and trained 495 Latin American technicians in different aspects of cooperativism, including marketing and agrarian reform.

Community development is the part of the SAD agricultural program oriented to promote policies and programs for rural community development and social welfare in member countries. The activities of the SAD deal only partially with the problems of agriculture, but projections for the future assign a more prominent role to the problems of rural development and higher priority to all aspects of modernization of the rural life.

Agricultural Programs in the Department of Scientific Affairs

Agricultural development is a subject of great interest, also, to the Department of Scientific Affairs. The principal activity of the DSA in the field of agriculture is the Multinational Project on Agricultural Sciences, started in 1968. This project seeks to provide the Latin American countries with training, research capability, and technical assistance to overcome barriers of a techno-scientific nature that confront the agricultural sector. The Agricultural Sciences Project works through several national institutions established in countries with high levels of experience in certain fields. The project supported courses in nutrition, animal genetics, grazing, breeding, statistics, microbiology, etc., providing 188 man-months of training in the 1969/70 year.

Agricultural Programs in the Office of Regional Development

The Office of Regional Development approaches agricultural development from the viewpoint of identifying potential resources, the design of techniques and methodologies for their evaluation, the formulation of projects for their use at the regional, rather than the national level, and the

establishment of provisions for their sound administration. The agricultural program constitutes almost 40 percent of ORD resources. The ORD carries on its program in two ways: (1) strengthening institutional capacity in the member countries through technical assistance to national organizations involved in resources development and training of local technicians, and (2) providing technical assistance in surveys to determine development possibilities in selected regions such as river basins.

The ORD is also involved in providing training through the Inter-American Center for Integral Land and Water Development and the Inter-American Program for Project Evaluation and Formulation, both of which offer courses at different levels for project managers and others. Courses are also conducted within the PFC framework on subjects such as soils, geology, hydrology, survey of underground waters, utilization of forest resources, and administration of integrated natural resources surveys. About 100 Latin American technicians benefit from these courses every year. A project in formal academic training in economics and natural resources management is being carried on by ORD in cooperation with U.S. universities.

The ORD projections contemplate a significant increase of its work in agricultural development, particularly in its water resources development projects and in the conservation, development, and administration of forest resources. The emphasis of its agricultural program will be put into advising the national planning organizations on determination of data needs, design of surveys, interpretation of survey results, gathering data on natural resources, and preparation of long-term plans on the nature of the research required to implement established policies on regional development based on the availability of natural resources. Instrumental to the accomplishment of these objectives is the establishment of a Regional Project for Training on Natural Resources Development.

THE UNDP AND COUNTRY COORDINATION

With the increased role of multilateral institutions in providing development assistance, the problem of country coordination has grown more complex and more compelling. While ultimate responsibility for country coordination rests with the respective governments, the international agencies recognize that their aid can be more useful if they take some measures to coordinate policies and programs. Several approaches have been tried to bring about such coordination. Changes taking place in the U.N. development assistance operations are in this direction. The organization of donor consortia under World Bank auspices is another approach.

The United Nations Development Program

In 1965 the U.N.'s Expanded Program of Technical Assistance and the Special Fund activities, providing pre-investment studies, were merged to form the United Nations Development Program (UNDP). The UNDP was then given responsibility for coordinating the development assistance programs within the United Nations system. The constituent agencies involved in UNDP's work are principally FAO, ILO, UNESCO, and the United Nations. This merger marked not only a change in the organization of the U.N. development effort, but also a shift in the existing operating procedures to accommodate rapidly expanding development activities. For example, technical assistance requests were previously acted upon biennially, but now may be processed when received; equally important, once approved, projects may be budgeted for the duration of the activity involved.

Operations: The current UNDP program operates with an expenditure of almost \$200 million annually (1969). This sum represents voluntary pledges from countries in the U.N. family. In 1969, the U.S. pledged \$71 million. The UNDP carries on two principal lines of activity: (1) technical assistance through the constituent agencies operating under U.N. aegis, most notably FAO, ILO, and UNESCO, and (2) pre-investment studies to provide the developing countries with basic analyses which, in turn, may be used as a basis for loan applications to international lending agencies. In 1968 approximately \$110 million was expended on technical assistance; most of the remaining budget went to defray costs of pre-investment studies. During the period 1959-1968, over 800 major pre-investment projects were undertaken by the four principal organizations involved; the FAO conducted almost half of them, the U.N. a fourth, and the ILO and UNESCO the remainder.

Projects pass through four general stages which can be roughly designated as: a preliminary drafting of the plan or project; consultation and approval; execution of the project; and finally, evaluation and follow-up when completed. While these stages overlap to some degree, they indicate the project "flow."

Governments seeking the assistance of the UNDP first draw up their request in consultation with the UNDP's local resident representative and the representatives of other organizations which may provide the assistance requested. In certain large or complex projects, the UNDP may send a mission to the country to help prepare the project. The projects are carefully examined by the Program Administration and the Inter-Agency Consultative Board and then submitted to the UNDP's Governing Council for approval. While the Governing Council retains power to approve or disapprove the project, vetoes are infrequent at this advanced stage of preparation.

After approval, the executing agency, such as FAO in the case of agriculture, submits a plan of implementation. This becomes an actual contract between the country, UNDP, and the executing agency. During the course of implementation, the burden is with the executing agency to see that the project is carried out properly and to provide such technical assistance as may be required. Increasingly, the UNDP conducts reviews midway in the implementation phases, or more frequently, sometimes special evaluation missions are designated and dispatched to the country. A principal benefit of the UNDP's activities is that it serves as a "catalyst" to bridge the gap between the project, personnel, the country, and the various regional, national, and international agencies which administer aid programs.

The Jackson Report on the U.N. Development Assistance System: The Governing Council of the UNDP requested a critical examination of the present and future capacity of the U.N. system to undertake technical assistance and pre-investment studies. Sir Robert Jackson was appointed chairman of the study committee and the report was submitted in 1969.

The report takes note of the rapid increase in development assistance activities by the U.N. system and much of its criticism is related to the problems of the executing agencies and recipient countries absorbing the increased programs. The report was particularly concerned with delays in getting projects underway from the time country requests are received to the time operations begin. Jackson says, bearing on the U.N. system's capacity, "For many years I have looked for the 'brain' which guides the policies and operations of the U.N. development system. The search has been in vain . . . there is no group which is constantly monitoring the present operation, learning from experience, grasping at all that science and technology has to offer, launching new ideas and methods, challenging established practices, and provoking thought inside and outside the system."

The report includes the following recommendations:

The introduction of a programming method which would enable all inputs from the U.N. development system to be programmed comprehensively at one time in a program corresponding to the needs and the duration of each country's national development plan.

- . Effective and prompt execution of approved projects, having recourse, as necessary, to all available resources.
- . Controlled evaluation, designed to maintain the accountability of the Administrator of UNDP for the use of all resources contributed to UNDP, to measure results, to judge the effectiveness of the methods used, and to draw conclusions which may be applied with benefit to future operations.
- . Effective follow-up conceived as an integral part of each project from the outset.
- . The introduction of an efficient information system.
- . Organizational reforms at the country, regional, and headquarters levels designed to integrate the components of the U.N. development system more closely. These should combine greater control at the center with maximum decentralization to the field level, where the authority of the Resident Representative should be greatly strengthened.
- . Proper staffing of the operation at all levels, involving far-reaching measures to attract and retain the best qualified people available.
- . A financial framework designed to ensure the smooth running of the operation, through which the maximum possible amount of funds entrusted to the U.N. development system for development cooperation should be channeled, the head of the central organization being held personally accountable for their use.
- . Maximum use of all modern managerial and administrative aids and techniques to ensure an effective, expeditious, and economical operation.
- . Maximum flexibility on the part of governments and the system alike to permit adaptability to changing circumstances and a speedy and effective response to new challenges and opportunities as they arise.

The U.N. Inter-Agency Consultative Board (IACB) agreed with the report in many respects, particularly as to objectives. However, a number of its findings were not accepted, in particular those aimed at a high degree of centralization.

Recent Actions: Following recommendations in the Jackson Report and internal reviews, the UNDP and its constituent agencies have taken a number of steps to strengthen program planning and country coordination. The U.N. General Assembly, in its 25th session, approved proposals for the UNDP to include the concept of country programming in its activities in

order to link U.N. assistance with the objectives of individual developing countries. 51/ On program planning, the UNDP set up a high level panel to advise on long-term policies for strengthening the U.N. development assistance capability for the development decade of the 1970s. The Governing Council at its June 1970 meeting adopted a "consensus" for considering organizational changes of the UNDP. A proposal for such reorganization was on the agenda of the January 1971 session of the Governing Council and many of the provisions were acted on affirmatively. As part of the ensuing reorganization, the UNDP has now established a Bureau for Program Coordination and Regional Bureaus in order to better focus on overall development problems of each region rather than on specific functional components.

The FAO, as a principal recipient of UNDP funds and the U.N.'s agency for agricultural development, has taken steps to realign its activities for better coordination within the UNDP framework. Reporting on progress made through April, 1971, 52/ the FAO noted that:

- . The Development Department of FAO had organized its programming activities on a geographic basis to facilitate working with the regional bureaus of the UNDP.
- . The program to strengthen country programming activities under joint UNDP/FAO country representatives was progressing with further improvements to be made along lines recommended by a recent evaluative report.
- . An inter-agency working party within the U.N., in which FAO took active part, had developed guidelines for country and inter-country programming.

Country Coordination by Consortia

There have been several attempts to coordinate development assistance activities by consortia. The first such effort was the India Consortium sponsored by the World Bank in 1958. It followed with the sponsorship of a similar group in Pakistan in 1960. Following these examples, the Organization for Economic Cooperation and Development (OECD) organized consortia in Greece and Turkey in 1962.

Fifteen other groups concerned with coordination of multilateral and bilateral aid efforts have been formed. The IBRD has sponsored groups in Ceylon, Colombia, East Africa, Indonesia, Korea, Malaysia, Morocco, Nigeria, Peru, Sudan, Thailand, and Tunisia. The International Monetary Fund sponsored a group in Ghana and the IDB organized a group for Ecuador.

These efforts at coordination have had mixed results; a number of the groups have ceased to function on a regular basis. According to the Organization for Economic Cooperation and Development, in explaining the failure of some, a major problem lies in donor reluctance to endorse

country plans and to relate their aid to local priorities. 53/ Another has been the different interests that each donor country brings to the consortium. These differences, both economic and political, influence the approach each favors and makes agreements difficult to achieve.

While the consortia organized by IBRD actually pledge money, consultative groups which make no such commitment might find it easier to reach agreement on the program issues. The Development Assistance Committee of the OECD is a consultative group of donor countries which focuses on problems of particular countries, from time to time, but does so without direct action on the part of either donor or receiver country. The Inter-American Committee on the Alliance for Progress (CIAP) is organized to review country development programs in the American hemisphere. Its reviews are technical and advisory to donor agencies and to development planners in the respective countries and hence carry weight within the Alliance framework. Often, however, the OECD reports, consultative groups have lacked some effectiveness because their views were not directly associated with external capital assistance.

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